

Message Text

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ACTION EB-11

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DEPT PASS TREASURY, FEDERAL RESERVE AND CEA

E.O. 11652: N/A

TAGS: EFIN, GW

SUBJECT: EMMINGER ON EC GOLD POLICY

1. THE MAY 3 ISSUE OF THE WEEKLY DIE ZEIT CARRIED AN INTERVIEW WITH BUNDESBANK VICE PRESIDENT EMMINGER UNDER THE HEADLINE: "SNUBBING THE US?" (SUBTITLE: THE EUROPEAN CENTRAL BANKS WANT A FREE HAND IN GOLD TRADING). EMMINGER STATED THAT TRADING OF GOLD BETWEEN CENTRAL BANKS AT FREELY ARRANGED PRICES, OR SALES AND PURCHASES OF GOLD BY CENTRAL BANKS IN FREE MARKETS, WOULD DEPRIVE RPT DEPRIVE GOLD OF ITS ROLE AS THE STANDARD OF VALUE OF CURRENCIES. THIS FUNCTION SHOULD BE TAKEN OVER BY SDR'S. A REALIZATION OF THE PROPOSALS OF THE EC FINANCE MINISTERS WOULD, TO THIS EXTENT, CONFIRM THE TREND TOWARD A REDUCED MONETARY ROLE FOR GOLD. AT THE SAME TIME, THE EC PROPOSALS WOULD MAKE GOLD AVAILABLE FOR PAYMENTS PURPOSES, BUT WOULD NOT RPT NOT MEAN A STRENGTHENING OF THE ROLE OF GOLD.

2. EMMINGER ALSO STATED THAT THE DESIRE TO MAKE GOLD FULLY AVAILABLE FOR PAYMENTS PURPOSES COULD NOT BE ACHIEVED SIMPLY BY ALLOWING

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CENTRAL BANKS TO SELL GOLD ON THE FREE MARKET. IT SHOULD ALSO BE

POSSIBLE TO SELL GOLD AT REALISTIC PRICES TO OTHER CENTRAL BANKS. MOREOVER, IT MIGHT BECOME NECESSARY FOR SOME GROUP OF CENTRAL BANKS TO MAKE SPECIAL ARRANGEMENTS FOR REGULATED GOLD SALES. IN THIS REGARD, EMMINGER SAID A PROPOSAL IS UNDER DISCUSSION TO INTRODUCE A "BUFFER STOCK" FOR THE SALE OF CENTRAL BANK GOLD ON FREE MARKETS. THE EUROPEAN FUND FOR MONETARY COOPERATION COULD ACT AS SALES AGENT UNDER THE PROPOSAL.

3. EMMINGER ALSO STATED THAT THE US REACTION TO THE EC PROPOSALS IS NOT YET KNOWN. FURTHER: "ONE CAN ONLY HOPE THAT THE RESULT WILL NOT BE A COMPLETELY UNNECESSARY CONFRONTATION. IN ORDER TO PREVENT THIS, THE PROPOSALS OF THE EC FINANCE MINISTERS HAVE BEEN MADE AS PRAGMATIC AS POSSIBLE."

HILLENBRAND

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